



AGENDA MEMORANDUM

Corpus Christi Business and Job Development Corporation Meeting for December 9, 2019

DATE: December 2, 2019

TO: President and Honorable Board Members,
Corpus Christi Business and Job Development Corporation

THROUGH: Peter Zaroni, City Manager

FROM: Arlene Medrano, Business Liaison
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Fish Pond Living at Corpus Christi, LP Type A Affordable Housing Agreement

CAPTION:

Motion to approve an affordable housing agreement with Fish Pond Living at Corpus Christi, LP located at 1002 Sixth Street in an amount not to exceed \$500,000 to provide affordable housing to residents of the existing Sea Gulf Villa in downtown Corpus Christi with a development deadline of two-years following the effective date of the agreement (approximately December 2021); and recommending City Council approval.

SUMMARY:

On April 15, 2019 the Type A Board passed a motion directing staff to bring forward an agreement with Fish Pond Development for an incentive in an amount between \$200,000 and \$500,000 for an affordable housing project consisting of the construction of 111 rental units at 1002 Sixth Street for consideration and approval by the Board at a future meeting (letter attached). This motion authorizes an agreement in amount not to exceed \$500,000 with Fish Pond Living at Corpus Christi, LP for the development of FishPond at Corpus Christi.

BACKGROUND AND FINDINGS:

FishPond at Corpus Christi will be a new 112-unit community (including one Manager's unit) on a 1.48-acre site (inclusive of a 60' easement purchased from the City of Corpus Christi) on Sixth Street between Buford and Hancock Street. The site is approximately 1.2 miles south of the existing Sea Gulf Apartments, an existing 111-unit mid-rise elderly resident building located at 416 N. Chaparral Street.

In July 2019, a joint-venture between FishPond Development and GVA Management purchased Sea Gulf Apartments; an existing 111-unit mid-rise elderly resident building located at 416 N. Chaparral Street. Sea Gulf was built in 1928 as a hospital and converted to apartments in 1979. Upon completing their due diligence for the purchase, the owners determined that the existing building was functionally obsolete for the current residency. The owners have been active in Corpus Christi and knew that Sea Gulf would be an impact development, so considered several

options for the property.

One plan was to apply for competitive (9%) Low-Income Housing Tax Credits and complete an extensive renovation. Unless this was the only available option, the owner did not believe it was the best use of federal or local funds. They considered a privately funded moderate renovation but decided that would not be a permanent solution as the current rents would not have supported much rehab and a rehab in place would not be financially feasible. Although the most complicated and risky option for the owner, they decided to implement the current plan: the construction of a new property using tax-exempt bonds and tax credits and relocation of the existing residents. This would allow them to accomplish 2 goals: 1) providing the residents of Sea Gulf a modern new facility; and 2) allowing for the complete renovation of the existing property.

To illustrate their commitment to this plan, without having any commitment from HUD to allow the transfer of the Section 8 Housing Assistance Payment (HAP) contract to the new site, they closed on the proposed site and incurred architects, engineers, and attorney's fees to prepare plans and apply for a zoning change. That zoning change was approved by City Council in November 2019.

Proposed Development- FishPond at Corpus Christi

The proposed replacement property will consist of a 4-story structure over podium and will be elevator serviced. The building will offer amenity space for community events plus offices to house on-site management and the service coordinator. All units will be 1-bedroom units (currently there are 18 studios and 93 1-bedroom units at Sea Gulf Villa) and the units will be approximately 700 SF (~100 SF or 17% larger than the current units of 575 SF and 595 SF for the studio and one-bedroom units, respectively). Furthermore, ~ 70 surface parking spaces, twice what is currently available, will be located on-site which is much more convenient for residents than the off-site parking at Sea Gulf Villa. Some of the parking will be covered as it will be underneath the building. The new community will substantially increase the quality of life for the residents.

Like their other developments, the design of the FishPond at Corpus Christi will include many Green construction features such as high efficiency HVAC and lighting. It will also have Class A features such as full wood cabinets and granite countertops. The attachments show a rendering of FishPond at Corpus Christi and floorplans.

Note that under the financing plan, the new property will have a 30-year Regulatory Agreement monitored by TDHCA which will require all units remain affordable to residents at 30%, 50% and 60% of Area Median Income. In addition, the new property will assume the existing HUD Regulatory Agreement and rent structure. As such, residents will not see any increase in rents, nor will residents incur any relocation costs.

Upon completion of the new development and transfer of the Regulatory Agreements to the new property, the existing Sea Gulf property will be available for redevelopment. Phase II will entail a complete redevelopment of Sea Gulf into loft-style market rate housing, which we believe is more appropriate for the more commercialized downtown location.

Sources and Uses of Funds and Timing

FishPond at Corpus Christi is a complicated, multi-layered transaction. The current estimated development costs are approximately \$17M which are proposed to be funded using Tax Exempt Bonds and "4%" tax credits. The developer has applied for and received a reservation of \$10M in Tax-Exempt bonds from the Texas Department of Housing and Community Affairs (TDHCA) which will generate ~\$6.2 million in by-right "4% tax credits". Note that the tax credit percentage for "4%" credits fluctuates monthly and is currently 3.19% versus the 9% credit which is fixed at 9%, meaning that a bond transaction will generate ~1/3 of the tax credits that a competitive 9%

transaction does. If they were able to use 9% credits, they would not need Type A funds.

Upon completion of the development, the \$10M in bonds will be retired and replaced with a permanent loan of ~\$5.6M (the maximum the current rents will support), tax credit equity, and other sources. Their initial application included \$500,000 in affordable housing grants from the Federal Home Loan Bank. Unfortunately, their development did not score high enough to receive the funds.

TDHCA did award them \$4,000,000 in direct loan funds which is a low interest rate (2.5%) loan that is amortized and not a grant, thus the financial impact is not as significant as that of a grant. These funds require a minimum 5% local match which is why the Type A funds are so important. The City of Corpus is taking a Resolution of support to City Council on December 10, 2019 in support of the developer's request for \$300,000 in HOME funds for the development.

It is common that bond financed developments have financing gap between sources and uses so every dollar can have an impact. Given that that costs are increasing, the risk that some funds may not be available (like the AHP funds), and the risk that TDHCA may still modify their underwriting to the detriment of the deal, they are requesting the maximum amount of Type A funds that were earmarked in April 2019 (\$500,000). We believe that few affordable housing projects will have the multiplied impact that the replacement and redevelopment of Sea Gulf will have in Downtown Corpus Christi.

Timing

TDHCA understands the complexity of the plan but the underwriting is still contingent on HUD's approval to relocate the HAP contract, which the developer is still awaiting. Because they do not yet have HUD's approval, the developer knew they would not meet the closing deadline under the bond reservation. As a result, TDHCA is going to allow them to carry forward the bonds into 2020 by which time they expect HUD's response. This would put a closing toward the end of Q1 2020 and completion of the project in Q1 2021. Phase II of Sea Gulf's renovation would start immediately thereafter.

ALTERNATIVES:

An alternative to approving the \$500,000 agreement, the Board could choose to either decrease the award to strictly match the 5% TDHCA loan which is equal to \$200,000, transfer award to the Type B Board, or choose not award. However, because the developer was not awarded \$500,000 from the Federal Home Loan Bank and because this development will improve the quality of life for low-income elderly residents and additionally create a dynamic new development in Downtown Corpus Christi, staff recommends approval of the full \$500,000. Additionally, City Council has shown support for this project during rezoning item at the November 12, 2019 City Council meeting

FISCAL IMPACT:

The current unreserved fund balance available for projects in the Type A Affordable Housing account is \$654,227. This item would award \$500,000 and reduce the available balance to \$154,227. Approval of this item would consequently require City Council approval and an FY2020 budget amendment. The available balance in the Type B Affordable Housing account is \$1,250,000.

FUNDING DETAIL:

Fund: 1140 – Business and Job Development
Organization/Activity: N/A
Mission Element: N/A
Project # (CIP Only): N/A
Account: N/A

RECOMMENDATION:

City Staff and Downtown Management District staff recommend approve of this agreement. The initial request was for a 5% local match of the \$4 million TDHCA loan which amounts to \$200,000. The developer did apply but was did not score high enough to receive \$500,000 in affordable housing grants from the Federal Home Loan Bank. Therefore, staff is recommending awarding this project \$500,000.

TDHCA did award us \$4,000,000 in direct loan funds which is a low interest rate (2.5%) loan that is amortized and not a grant, thus the financial impact is not as significant as that of a grant. These funds require a minimum 5% local match which is why the Type A funds are so important. The City of Corpus has also offered \$300,000 in HOME funds for the development.

LIST OF SUPPORTING DOCUMENTS:

PowerPoint Presentation